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*Purpose: To introduce the new DMH/DHCS/CMHDA County-State Claims Payment Process Improvement Task Force to Members of the CMHDA Financial Services Committee, the following is a high-level outline of our Membership, scope of work, and desired outcomes.*  
– Sean Tracy, DMH Projects Manager, Director's Office

**BACKGROUND:** In the Spring of 2007, the DMH entered into an inter-agency agreement with the California Office of State Audits and Evaluations (OSAE) to evaluate the department's Short-Doyle/Medi-Cal claims payment system and make recommendations for improvements. This review is complimented by other OSAE reviews of the DMH sampling methodology, estimation methodology, San Mateo Pharmacy and Lab Project, Administrative Internal Controls and Risk Management for both Headquarters and State Hospitals, and the Mental Health Services Act (MHSA).

In September 2007, the OSAE determined that it was necessary for a review of the entire Short-Doyle/Medi-Cal system to make useful recommendations, which required OSAE to include the Department of Health Care Services claims payment processes and practices.

On December 31, 2007, the OSAE released their review about the Short-Doyle Medi-Cal claims processing system, a copy of which is in this folder. We have also extracted Director Mayberg's letter responding to the review, which provides guidance for our efforts going forward.

In preparation of the release of this review, DMH has been working with CMHDA to immediately initiate a way to collaborate on solutions to identified observations and recommendations that impact our current Short-Doyle system.

We have reached agreement that the establishment of a specialized Task Force (County-State Claims Payment Process Improvement Task Force) including CMHDA, DMH, DHCS, CMS, and data/evaluation consultants, APS, to contribute to the required Corrective Action Plan for OSAE.

#### **OVERVIEW INFORMATION ABOUT REVIEW:**

- DMH requested and paid for this review of the Short-Doyle/Medi-Cal claims payment system because of MHP payment delays;
- The OSAE identified the overarching critical issues for reform:

- State Department Governance of Short-Doyle/Medi-Cal system
  - IT Solutions,
  - Process Improvements for Current Manual Systems;
- DMH, DHCS and CHHS will work to resolve the state-level governance and management issues;
  - Key Technology issues include: HIPAA compliance, Short-Doyle II, Accounting COTS (Commercial-Off-the-Shelf ) System
  - Key issue for MHPs – One payment proposal to combine FFP and SGF
  - Cost-settlement issues – Good Cause Waivers, Audit Timing
  - CMS is recommended to be part of the corrective action planning process
  - The current system administers over \$3 billion in local assistance funding, including 15 million claims from MHPs;
  - OSAE identified the litigation level of risk, currently at 21 pending cases with a potential impact of \$33 million to the current funding.

## **SCOPE OF TASK FORCE**

The Task Force will focus their efforts on the OSAE Observations #4 – 9, with recommendations summarized as follows:

### **OBSERVATION 4 – HIPAA Translator at Risk**

- DHCS Short-Doyle II Project prioritization
- 45 out of 58 MHPs are yet to be HIPAA compliant
- National Provider Identifier number needed

### **OBSERVATION 5 – Claims Processing Flawed**

- SGF and FFP repair bifurcation of payments into one
- Reimbursement calculation process automation
- Invoice process – eliminate DMH process

### **OBSERVATION 6 – Accounting System Timely and Accurate Information**

- Establish subsidiary ledgers
- Appropriation balance monitoring
- Disallowed claims, audits, cost-settlement, overpay adjustments as accounts receivable
- CMS – FFP fund – remittance procedures
- Automated/Searchable claims tracking function

### **OBSERVATION 7 – FFP Billing Errors**

- Eliminate DMH Credit Memo

- IT solution that will separate EPSDT and benefit services at beginning of claims payment process
- Program Cost Account (PCA) for EPSDT

**OBSERVATION 8 – Claims Processing Timelines**

- Meet state and federal standards and law
- Performance Benchmarks

**OBSERVATION 9 – Timeliness of Cost Settlements and Audits**

- Good cause claims adjusted at audit, not through cost settlement
- Cost report risk analysis for MHPs
- DMH audit MHP internal oversight procedures
- Final Cost Reports timeliness – December 31 cut-off
- Cost Reports audits within 3 years of MHP report (currently up to 5 years)
- DMH risk analysis of MHP Cost Reports

**CONCLUSION AND NEXT STEPS**

As Director Mayberg’s letter indicates, we need to work quickly on a corrective action plan with CMHDA and other partners by January 31, 2008.

We are scheduling a Task Force meeting for mid-January to complete this first step, and will meet as often as needed to thoroughly develop steps to correct the current state of the Short-Doyle/Medi-Cal system.

As we all recognize, this reform effort will require extensive effort, coordination and careful business planning to ensure we do not create any unintended consequences.

We plan to provide monthly updates to the CMHDA Financial Services Committee on our progress and obstacles that could impact the MHPs.

Thank you.